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SUBJECT: Austria Reactions to OMV Sale of MOL Stake to Russian Surgutneftegas

REF: A) 08 Vienna 1156; B) 07 Vienna 2980 and Previous

¶1. (SBU) SUMMARY: OMV's sale of its 21.2% stake in Hungarian energy national MOL to Siberian energy company Surgutneftegas has raised few eyebrows in Austria, where it is seen as the logical unwinding of OMV's abandoned effort to grow into a regional powerhouse. The sale is no surprise: ever since OMV gave up its takeover bid in August 2008, it has looked to shed its MOL stake at the right moment -- market watchers here lauded OMV's acumen in finding a rich buyer in a distressed market. OMV insiders treat as bizarre the Hungarian charge that the company somehow acted as a Russian proxy all along, since the OMV takeover attempt (which it had prepared over a decade) "made sense" in terms of synergies with OMV's other regional holdings (including its successful takeover of Romania Petrom) -- and given that all regional players maintain close ties to the Russian energy sector. END SUMMARY.

¶2. (SBU) Publicly and privately, Austrian oil and gas company OMV represents the sale of its 21.2% stake in MOL as just an epilogue to its failed effort to build a central-European energy champion. OMV started acquiring MOL shares in the late 1990s; in 2007 and 2008, OMV doubled its stake in MOL and intensely lobbied MOL management and other shareholders, but failed to secure their support. More decisive were signals from the European Commission that OMV would need to divest key assets in the event of a takeover (for instance, its Schwechat refinery near the Vienna Airport). OMV spokesman Thomas JHuemer told us that OMV might have overcome Hungarian objections in the end, but viewed the Commission's potential demands as far too costly to justify pursuing a MOL takeover any further.

¶3. (SBU) OMV made no secret of wanting to sell its MOL shares after the EU essentially closed the door in August 2008 -- but faced a dilemma: how to sell into an abysmal capital market in a period of low energy prices? The price that the Siberian group was willing to pay -- HUF 19,200 per share or $ 1.8 billion for all shares -- is very high since MOL's market price was 9,400 on the day the deal was announced (March 27). Vienna market watchers applauded OMV for its acumen, saying that they would "hire right away" the OMV employees who brokered the deal. According to Austrian financial media, the average price of the MOL shares that OMV had accumulated since 1998 was 16,000 Forint -- meaning OMV made a book profit on the share sale. COMMENT: the claim by MOL CEO Mosonyi that the $1.8 billion sale price is "exactly" the sum that OMV paid for the shares is not literally true: OMV booked a nominal profit on the sale, but its MOL holdings were a losing proposition overall given the opportunity costs of parking so much money for several years. In any case, OMV investors appear to be happy with the move: OMV's share price rose by 5% the day after the deal and is still increasing.

¶4. (SBU) Alfred Reisenberger (an energy market analyst for Cheuvreux/Credit Agricole who has followed the MOL takeover for years) told us the deal was intended to reduce OMV's net indebtedness of $4.5 billion and estimated that OMV made a

nominal profit of EUR 200 million on the transaction.

OMV: "No Impact" on Nabucco Pipeline
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¶5. (SBU) OMV spokesman Huemer argued to us that the sale has "no impact" on OMV's work with MOL in the Nabucco project and gives neither positive nor negative signals about longstanding OMV relations with its Russian counterparts. Former spokesman Dolezal (now the head of communications for the Nabucco Consortium) was quick to point out that virtually all the Nabucco partners (including OMV and MOL) have deep ties to Russian energy companies -- and all want both good relations with Russia and a new, independent supply route from the Caspian.